

Dear State CSBG Directors,

With the public increasingly concerned about deep budget deficits, today OMB Director Peter R. Orszag delivered an address regarding fiscal responsibility and the administration's efforts to find savings through government "reform."

During his speech, Orszag discussed a new proposal that would discourage unnecessary spending by federal departments and agencies. This proposal would let agencies with budget savings use half of those savings for other programs or activities, and the other half to be returned to the Treasury for deficit reduction. Currently, there is a strong incentive for agencies to spend all the money Congress appropriates each year since all unused monies generally must be returned to the Treasury, and since many agencies believe Congress will view unused monies as excess or unneeded and will therefore reduce the agency's funding for the following year. The new proposal is intended to alter those incentives to help change the mentality at federal agencies.

Moreover, the Obama administration has undertaken a range of initiatives intended to make the government run more efficiently and thereby save taxpayer dollars. In addition to proposing 121 program cuts totaling \$17 billion in his fiscal 2010 budget, the president's 2011 budget proposed an additional \$23 billion in cuts to 126 programs that the White House argues are outdated, duplicative or inefficient. The 2011 budget also proposed to freeze non-security discretionary spending for the next three years, and last month the White House submitted an "enhanced rescission" proposal that would require Congress to vote on spending cut packages proposed by the President. To improve government performance, the White House also has moved to reduce improper payments made by federal agencies each year, taken action to overhaul federal contracting practices and reduce costs, update federal information technology systems to provide greater data transparency and make government operations more efficient, and created a management advisory board to provide advice and recommendations on improving the productivity of federal operations.

We will keep you informed as things progress.